

NY OF CANADA LIMITED

as ended February 28, 1970
ures for 1969)

E AND EXPENSES

	1970	1969
	\$ 38,466	\$ 37,929
	<u>28,433</u>	<u>28,918</u>
	10,033	9,011
	136,223	117,876
	4,388	1,078
	2,143	1,158
	<u>152,787</u>	<u>129,123</u>
	27,764	40,103
	66,966	28,580
	2,161	5,263
	<u>96,891</u>	<u>73,946</u>
	55,896	55,177
	5,012	7,984
	<u>60,908</u>	<u>63,161</u>
	64,035	130
	19,688	16,350
	83,723	16,480
	<u>\$ (22,815)</u>	<u>\$ 46,681</u>

APPLICATION OF FUNDS

	\$ 55,896	\$ 55,177
	-	7,126
	-	10,800
	4,375	1,103
	<u>60,271</u>	<u>74,206</u>
	286	564
	159	5,362
	22,258	2,879
	-	21,708
	-	21,875
	<u>22,703</u>	<u>52,388</u>
	37,568	21,818
	345,488	78,885
	<u>\$ 383,056</u>	<u>\$ 100,703</u>

at year end)

NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED

A member of the DYNAMIC GROUP



INTERIM REPORT

February 28th, 1970

NORTHERN SASKATCHEWAN

■ Gulf Minerals Company Operations

The Rabbit Lake uranium ore body in the Wollaston Lake area of the Province of Saskatchewan discovered in late 1968 by Gulf Minerals Company, a wholly owned subsidiary of Gulf Oil Corporation, has been declared by Gulf officials to be a viable mining project or, in other words, exploration work done to date has established an ore body of sufficient quantity and quality to proceed with the construction of a mill. However, there are two major obstacles involving political considerations and markets to be overcome before Gulf will be prepared to announce its construction plans.

On March 2, 1970, Prime Minister Trudeau announced in the House of Commons that the Canadian Government would be implementing regulations with regard to ownership in the Canadian Uranium Industry. On March 20, 1970, Energy, Mines and Resources Minister J.J. Greene made a statement in the House of Commons to the effect that the Government proposes to limit, by regulation, the extent of ownership of uranium producing enterprises in Canada by non-residents of Canada. Among other things, the Minister stated:

- That the regulations would distinguish between existing properties of demonstrated productive capacity and those developed in the future on the basis of exploration.
- That there would be a limit of 33% upon the aggregate foreign ownership of any uranium property of established productive capacity.
- That with regard to existing mines, the regulations will be effective as from the date of the Prime Minister's statement on March 2nd, but will not be retroactive in the sense of requiring foreign interests then holding more of the ownership than the prescribed limits, to divest themselves of surplus holdings.

With regard to the above item, Energy Minister Greene is reported to have told Parliament on April 10, 1970, that he felt the Gulf development fell within the retroactive guidelines and that Gulf would not be subject to the ownership restrictions.

As mentioned above, Gulf is not prepared to announce its plans to proceed with the construction of a mill in the area until the aforementioned Government regulations are officially introduced and their position thereunder is established. In the interim, however, and

presuming a favourable status quo, Gulf has stated, among other things, that:

- If the two major obstacles involving Government legislation and markets are overcome, construction of a mill could start this year.
- Gulf must have assured markets since uranium at present is in surplus supply. However, in this regard, Gulf is of the opinion that it will be able to dispose of its uranium production providing the ownership situation aforesaid is favourably clarified.
- While Gulf does not want to divulge the size of the ore body or the grades of ore, it is obvious that to justify a mill with a capacity of 2,000 tons of ore per day, producing 2,000 tons of uranium oxide per year and involving an investment of \$50,000,000, the ore body must be big.
- The mill would take three years to complete and would eventually employ about 400 highly skilled workers. The design would facilitate very quick and easy expansion.
- For purposes of comparison, preliminary engineering designs for the mill with an initial annual capacity of 2,000 tons of uranium oxide, would make it capable of serving the needs of four of the largest nuclear reactors built, or about 25% of the total current U.S. demand.
- The mine will be an open pit operation, as opposed to a shaft mine.
- The development of a mine and mill will involve the building of a new town-site and in this regard, according to Premier Thatcher, the Department of Municipal Affairs of the Province of Saskatchewan is already looking into this situation.

We are hopeful that the regulations referred to herein will be officially introduced within the next few weeks and that Gulf's ownership position in the Wollaston Lake uranium area will be clarified to the extent that Gulf will be able to announce definitive plans concerning construction of a mine and mill in this area.

New Continental has a direct 12.5% interest in 20% of the net profits accruing under the terms of the agreement entered into with Gulf Minerals Company. This agreement covers approximately 1,244,366 acres of permit lands in the Wollaston Lake area and includes the Rabbit Lake ore body.

Shareholders of the Company will be kept informed concerning further developments.

■ Wollaston Lake Fold Belt — Joint Operations

During 1969, Royal Canadian Ventures Ltd., on behalf of itself, New Continental Oil Com-

pany of Canada Limited and associated partners, Westburne Petroleum & Minerals Ltd. (formerly Excel Petroleum Ltd.) and Scurry Rainbow Oil Limited, conducted an exploration program on three permits in this area containing approximately 550,000 acres. The entire cost of this program was borne by our associated partners with Royal Canadian Ventures and New Continental Oil retaining a minimum interest of 40% in the properties. The program consisted of a combined airborne electromagnetic, aeromagnetic and spectrometer survey over all of lands with flight lines on a quarter mile spacing. Anomalous areas from this survey were located on the ground and after geological evaluation and rating, certain ones were covered by ground geophysical parties. At the same time, ground geological parties conducted geological mapping, rock sampling and detailed geological examination of airborne and ground anomalies.

Certain of the anomalous areas on these lands were selected for a winter geophysical and drilling program. This operation commenced in January 1970 and one drill was placed on the property to commence evaluating conductors found during the airborne survey and ground follow-up. This drill has been working continuously in this capacity since January, and to date several anomalies have been evaluated. Although the conductors indicated by the airborne survey have been encountered in every case, no mineralization of commercial value has been found to date. At the same time, geophysical exploration on the ground has been in progress, with the first phase recently completed.

BRITISH COLUMBIA

■ Barrier Lake Area

An exploration agreement between New Continental Oil Company of Canada Limited and other members of the Dynamic Group of companies, and Ray Rock Mines Ltd., Toronto, Canada, has been completed, whereby Ray Rock has the right to earn up to a 51% interest in approximately 140 mineral claims by carrying out an exploration and drilling program with work scheduled to commence immediately. The block of claims which are located approximately 50 miles north/northeast of Kamloops, British Columbia, contain an interesting porphyry type copper discovery made by the Group last fall on the basis of diamond drilling done at that time.

■ Iron Mask Area

Under the terms of an exploration agreement between New Continental Oil Company of

Canada Limited and other members of the Dynamic Group, and Great Plains Development Company of Canada Ltd., involving a large group of claims in the Iron Mask area southwest of Kamloops, British Columbia, drilling has been proceeding since early in the new year. The prospects here are two interesting copper anomalies outlined earlier by geophysical, geochemical and geological exploration. Results of drilling done to date are very encouraging.

NORTHWEST TERRITORIES

■ Baker Lake Region

Following is the complete text of a press release made jointly by New Continental Oil Company of Canada Limited, Petrobec Limited (a subsidiary of Westburne International Industries Ltd.) and Citizens Pipeline Limited, on April 21, 1970, relative to work completed to date in the Baker Lake region of the Northwest Territories and plans for the remainder of 1970:

For Release Noon, April 21, 1970

Summary

- *Disclosure of discoveries of molybdenum and silver in addition to uranium at Baker Lake, Northwest Territories.*
- *Mineral holdings increased to 627,000 acres.*
- *Commencement by about May 1, 1970, of an extensive exploration and diamond drilling program.*

Two significant mineral discoveries were made in the Baker Lake region of the Northwest Territories by New Continental Oil Company of Canada Limited and its associates, Petrobec Limited of Montreal, a subsidiary of Westburne International Industries Ltd., and Citizens Pipeline Limited, a wholly owned subsidiary of Lochiel Exploration Ltd. of Calgary. The discoveries, both believed to be of hydrothermal origin and ore grade, are located on Exploration Permit No. 109 and resulted from ground followup to an airborne radiometric survey carried out by Scintrex Limited of Toronto. Consulting Geologists for the project are A.C.A. Howe International Limited, Toronto. Significant minerals encountered are uranium, molybdenum, and silver.

The first discovery was made on an anomaly located in the Kazan Sandstone where initial prospecting and trenching has been completed and a Winkie diamond drill (a prospecting drill used for shallow testing) was employed to drill one hole at -45 degrees at right angles to the structure to a depth of 46 feet. Chemical

analyses over this 46 feet have yielded a continuous U_3O_8 content with an average of 0.077% (1.54#/Ton); also 0.025% molybdenum sulphide and traces of gold and silver.

The second discovery was made on an anomaly located approximately six miles north of the first, and is associated with a geologic feature in the basement granitic complex. A radioactive zone has been delineated by prospecting, and some trenching has been done. A hole drilled at -45 degrees at right angles to the structure to a depth of 36 feet with a Winkie diamond drill, yielded a chemical analysis of 0.338% U_3O_8 (6.76#/Ton) over a continuous 22-foot interval from 11 feet to 33 feet. The same drill hole yielded by chemical analysis 0.658% molybdenum sulphide over 14 feet, or 0.37% over 26 feet. One 2-foot sample averaged 2.00% U_3O_8 , 1.50 oz. of silver and 2.90% molybdenum sulphide.

A second hole on this anomaly, 220 feet from the first, was drilled at -45 degrees at right angles to the structure and gave erratic readings over its 38 feet of depth, ranging from nil to 0.06% U_3O_8 (1.2#/Ton). By chemical analysis the same drill hole indicated an average of 0.102% molybdenum sulphide over a length of 32 feet.

Both discoveries are highly encouraging because of their location on tide water and its beneficial effect on the potential economic development of the area.

Following the discoveries, 75 mineral claims were staked covering anomalies lying outside the permit areas. Recently three additional mineral prospecting permits have been acquired on trend by the group, bringing the total area now under permit to approximately 627,000 acres.

A large scale exploration and diamond drilling program is now being planned to commence in this area about May 1, 1970.

The project is owned 40% by the Dynamic Group, 40% by Petrobec Limited of Montreal, a subsidiary of Westburne International Industries Ltd., and 20% by Citizens Pipeline Limited, a wholly owned subsidiary of Lochiel Exploration Ltd. of Calgary.

A. P. Newall, Jr., President
New Continental Oil Company
of Canada Limited

Respectfully Submitted
On behalf of the Board of Directors
ARCHIE P. NEWALL, Jr., President

Calgary, Alberta
April 21, 1970

NEW CONTINENTAL OIL COMPANY

Unaudited Report for the Six Months
(With comparative figures for the same period last year)

STATEMENT OF INCOME

REVENUE

Crude Oil and natural gas sales, less royalties
Less production expenses

Royalties
Interest and dividends
Other

EXPENSE

Administrative and general
Exploratory costs and property carrying costs
Interest

CASH EARNINGS FROM OPERATIONS

ADD

Gain on sale of capital assets

DEDUCT

Abandonments - Petroleum and natural gas interests
Depletion and depreciation

NET PROFIT (LOSS) FOR THE PERIOD

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS

Cash earnings from operations
Proceeds from sale of properties
Issue of shares on exercise of stock options
Other

APPLICATION OF FUNDS

Petroleum and natural gas and mining interests
Well development costs including dry holes
Production and other equipment
Increase in performance deposits
Retirement of bank loan

INCREASE IN WORKING CAPITAL

WORKING CAPITAL, beginning of period

WORKING CAPITAL, end of period

(subject to adjustment)